

## Budget Analysis: KHPA Operating Budget FY 2009 - 2010



Reductions to the KHPA budget from the rescission bill (SB 23) and the Mega bill (S. Sub for H.B. 2354) amount to a nearly 11% agency budget cut (“non-caseload”) – these cuts will necessitate staff layoffs, lead to Medicaid and SCHIP enrollment backlogs, and put Kansas at risk of Centers for Medicare and Medicaid Services (CMS) non-compliance. Additional cuts to the KHPA budget in FY 2010 will result in provider reimbursement rate reductions: an additional 4% cut to the KHPA budget is the equivalent of a 3.4% across the board cut to health care providers (\$35 million); an additional 8% cut is the equivalent of a 6.9% cut to health care providers (\$70 million).

<b>KHPA Operating Budget</b>		<b>Amount – SGF</b>
<b>1</b>	<b>FY 2009 Approved - Adopted by 2008 legislature</b>	<b>\$22,814,018</b>
<b>2</b>	<b>FY 2009 Reduction - S.B. 23, 2009 "Rescission Bill"</b>	<b>(\$2,162,595)</b>
<b>3</b>	<b>Revised FY 2009 - (Balance)</b>	<b>\$20,651,423</b>
<b>4</b>	<b>FY 2010 Governor's Recommendation - As submitted to legislature in January</b>	<b>\$20,542,079</b>
<b>5</b>	<b>GBA No. 1 - Delete \$100.9 Million SGF from caseloads and add same amount from federal stimulus package for Medicaid expenditures.</b>	<b>0</b>
<b>6</b>	<b>GBA No. 2 - Add \$4.3 million, including \$1.2 million CIF, to expand SCHIP eligibility from 200% to 250% of the 2008 Federal Poverty Level.</b>	<b>Adds to administrative workload</b>
<b>7</b>	<b>Legislature: Continue FY 2009 1.25% Reduction - Delete \$1,481,397, including \$566,615 SGF, to duplicate the FY 2009 budget reduction, excluding human services caseload. Of the \$566,615 SGF, \$294,983 is attributable to KHPA's operational budget.</b>	<b>(\$294,983)</b>
<b>8</b>	<b>Legislature: Moratorium on Employer Contribution to State Employee Health Plan - Add back Governor's suspension of state contributions to the state employee Health Plan for 7 payroll periods in FY 2010: \$423,605 AF; \$133,014 SGF. (Moratorium accelerated to FY 2009 in rescission bill.)</b>	<b>\$133,014</b>
<b>9</b>	<b>KPERS Death &amp; Disability - Add \$38,751 all funds (\$12,513 SGF) to restore part of the Governor's deletion of funds for a 9-month moratorium on state contributions to KPERS D&amp;D Fund for all state agencies. Four months of the recommended moratorium was moved to FY 2009 in the rescission bill. The remaining 5 months of moratorium savings is retained in FY 2010.</b>	<b>\$12,513</b>
<b>10</b>	<b>Mental Health PDL<sup>1</sup> - Consider restoring \$2 million (\$800,000 SGF) from implementation of a mental health preferred drug list at Omnibus. The Governor's budget included the savings, but the bill authorizing implementation of the PDL did not pass</b>	<b>(\$800,000 to be determined at Omnibus)</b>
<b>11</b>	<b>Balance: FY 2010 Operating Budget - S. Sub for H.B. 2354</b>	<b>\$20,392,623</b>
<b>12</b>	<b>% Difference from Revised FY 2009 (Rescission)</b>	<b>-1.25%</b>
<b>13</b>	<b>% Difference from FY 2009 Approved</b>	<b>-10.61%</b>

<sup>1</sup> \* Assumes restoral of \$800,000 savings from Mental Health PDL (Line 10). If KHPA has to absorb the \$800,000 without a PDL to generate those savings, the difference would equal a 14.1% cut.

## KHPA Agency Budget Reduction Summary

<i>FY 2009 - Rescission Bill: Selected Cuts</i>		
Adjustment	SGF	All Funds
<b>Reduce Contractual Services:</b> Examples: Medicaid online application development; external quality review; actuarial services; Kansas Legal Services; evidence-based coverage decision support.	\$1,111,749	\$5,734,123
<b>Salaries and Wages:</b> Holding 26 positions vacant for all of FY 2009	\$383,595	\$1,153,866
<b>Office Expenses:</b> reduce travel, printing, supplies, communications and equipment.	\$67,249	\$399,000
<b>1.25% Additional Administrative Cut</b>	\$301,384	\$700,893
<b>1.25% SCHIP Reduction</b>	\$255,258	\$911,635
<b>Fee Fund Sweep to SGF:</b> Health Care Access Improvement Fund	\$6,000,000	Diverts medical related revenue to other state programs
<b>Fee Fund Sweep to SGF:</b> Medical Programs Fee Fund	\$2,500,000	Diverts medical related revenue to other state programs

<i>FY 2010 Cuts Needed to Meet Reduction Targets in S. Sub. H.B. 2354</i>			
Adjustment	SGF	All Funds	Additional Impact
<b>Staff Reductions:</b> KHPA is holding 28 staff positions vacant due to hiring freeze and need to meet FY 2009 reduction targets. Another 10 would need to be eliminated to meet FY 2010 targets.	\$200,000	\$500,000	Targeted areas include positions directly related to KHPA's statutory duties of coordinating the state's health and health care policy agenda, data policy and analysis, health policy research, communications (including community outreach through Kansas Health Online), and constituent and legislative research activities. Also requires reductions in agency operations.
<b>Reduce Fiscal Agent Funding for Provider &amp; Customer Service:</b> Contract reductions would eliminate 6 positions at fiscal agent contractor, EDS.	\$300,000	\$600,000	These positions assist Medicaid providers with enrollment, billing, authorization of services and claim payment issues. They also provide in-office training and assistance to encourage greater participation in the Medicaid program. They also assist Medicaid beneficiaries with questions about their eligibility and Medicaid coverage.
<b>Terminate</b> Community Health Record Project	\$110,000	\$250,000	Reduced resources for safety net clinics to provide efficient, safe care.
<b>Terminate</b> Medicaid Enhanced Care Management project	\$327,000	\$744,000	Loss of chronic care management capacity for disabled and elderly in Sedgwick County.

<i>FY 2010 - Request for Additional Funding due to increased demand for Medicaid and SCHIP</i>			
Adjustment	SGF	All Funds	Key Objective
<b>Clearinghouse Capacity:</b> Fill 3 KHPA staff positions and add 7 contractual positions to relieve current backlog of applications and build capacity to manage expected future increases.	\$448,000	\$1,034,000	The worsening economy and growing unemployment has led to an increase in the demand for Medicaid and SCHIP services with an increased number of applications at the Eligibility Clearinghouse. The growing backlog raises concerns about federal compliance and potential civil liability. Applications must be processed in a timely manner.

### ARRA Medicaid Requirements

- **Purpose:** To provide state fiscal relief and keep Medicaid whole by preventing state budget cuts.
- **Prohibitions:** States may not reduce "eligibility standards, methodologies or procedures."
- **First priority for spending:** Maintain current state Medicaid programs and level of service.
- **In FY 09,** Kansas used less than 30% of Medicaid ARRA dollars to preserve Medicaid (\$31 million Medicaid SGF reduction out of \$118.5 million received in Medicaid ARRA funds).
- **In FY 2010,** Kansas is projected to use slightly less than half of projected Medicaid ARRA dollars to preserve Medicaid (projected \$98 million Medicaid SGF reduction out of \$206 million in Medicaid ARRA funds Kansas is projected to receive).